Summary: Social Security: Why Action Should be Taken Soon

Social Security benefits are fundamental to our retirement security, along with personal savings and employer pensions. However, inadequate personal savings and a decline in employer-sponsored defined benefit pensions have increased the risk that many individuals will find themselves in reduced financial circumstances during retirement. This risk is exacerbated by Social Security's projected financial shortfall. The Social Security Advisory Board notes with concern that it has been 12 years since we published the first edition of this reports for prompt action to strengthen Social Security's long-term solvency. In updating this report, we are again urging Congress to act "sooner rather than later" to reform Social Security, mindful of the need for fair treatment for all.

While, under current law, Trust Fund interest and assets will allow full benefits to be paid without legislative action until 2037, the severity of the nation's current and projected fiscal situation could undermine the safety net that Social Security provides. The recession has already worsened Social Security's financial outlook. Trust Fund outlays exceeded tax revenues this year instead of in 2016 as projected in the 2009 Trustees' Report. It is now clearer than ever before that the longer that Social Security's projected insolvency remains unaddressed, the greater will be the risk of decline in the living standards of forthcoming generations of retirees, their dependents and survivors, and the disabled.

In this report, we examine the background of Social Security financing and discuss some of the demographic and economic challenges the system faces. The report updates the financial situation of the Social Security program with the most current data available and explores the potential advantages of taking action sooner rather than later. Many of the policy options for reforming Social Security presented are well known; new ones have been added that were proposed since the last edition of this report was published in 2005. We have also listed how several reform options would affect program solvency over the next 75 years.

While this report explains a number of proposals that address the Social Security solvency problem, the Advisory Board does not endorse any particular option. Instead, we present these proposals in a bipartisan manner and urge the Congress to take prompt action.